

ORDINANCE NO. 2014 –07

AN ORDINANCE AMENDING THE REVISED GENERAL ORDINANCES OF THE BOROUGH OF BRADLEY BEACH ENTITLED CHAPTER V, SECTION 22 TO ADD “FUND BALANCE POLICY”

Be it ordained by the Mayor and Council of the Borough of Bradley beach that Chapter 5-22, is amended as follows:

L. FUND BALANCE POLICY

(1) Purpose

To establish a fund balance policy tailored to the needs of the Borough to insure against unanticipated events that would adversely affect the financial condition of the Borough and jeopardize the continuation of necessary public services. This policy will ensure the Borough maintains adequate fund balance and reserves in the Borough's various operating funds to provide the capacity to: (1) provide sufficient cash flow for daily financial needs; (2) secure and maintain investment grade bond ratings; (3) offset significant economic downturns or revenue shortfalls; and (4) provide funds for unforeseen expenditures related to emergencies.

(2) DEFINITIONS

a. Fund Balance – the cumulative difference of all revenues and expenditures. Where the term Fund Balance is utilized, the term Retained Earnings may be substituted for proprietary funds.

b. Reserved Fund Balance – portion of the Fund Balance that is legally restricted to a specific use or otherwise not available for appropriation or expenditure.

c. Unreserved Fund Balance – a measure of how much Fund Balance is left over at the end of the current fiscal year which can be used for the subsequent fiscal year's budget.

d. Appropriated Designated Fund Balance – portion of the Unreserved Fund Balance which reflects tentative management plans for future use of the resources.

e. Appropriated Undesignated Fund Balance – portion of the Unreserved Fund Balance which is not obligated or specifically designated and can be used to meet contingencies and working capital requirements.

(3) Policy

The Borough will establish and maintain reservations of Fund Balance/Retained Earnings in each of the various governmental and proprietary fund type funds of the Borough. For the purpose of initially establishing the balance and maintaining thereafter, the Borough shall retain the minimum requirements for each fund. Additional funds will be retained in the Unreserved Fund Balance to the extent available to reach target levels.

(4) Fund Balance Goals

a. Current Fund – in the Fund, there shall be maintained an Unreserved Unappropriated Fund Balance equivalent to a minimum of ten (10%) percent of the current fiscal year expenditures less capital outlay and transfers out budgeted for the fund. For purpose of this calculation, the expenditures shall be the budget as originally adopted fiscal year. This reserve shall be in addition to all other required reserves or designation of fund balance.

b. Federal and State Grant Funds – Federal and State Grant revenue funds are created to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. No specific reservations of Fund Balance is created by virtue of enactment of this policy. The amount of any reservation of Fund Balance shall be governed by the legal authority underlying the creation of the individual funds.

c. Capital Funds – The General and Utility Capital Funds are created to account for resources designated to construct or acquire general fixed assets and major improvements. These projects may extend beyond a single fiscal year. No specific reserve requirement is established for the Capital Funds. However, at a minimum, the fiscal year end Reserved Fund Balance, and estimated revenues for the ensuing fiscal year must be sufficient to meet all outstanding fund encumbrances.

d. Enterprise (Utility Operating) Funds – For each enterprise fund, there shall be created a reservation of equal to ninety (90) days of operating costs for that fund. For the purposes of this calculation, the current fiscal year budget shall be the budget as originally adopted by ordinance in September for the subsequent fiscal year. This reserve shall be in addition to all other required reservations of Retained Earnings including, but not limited to, amounts reserved for debt service and/or amounts reserved for renewal and replacement of long lived assets.

(5) Minimum Reserves Requirements

In the event funds are not available to initially establish minimum required balances, the Unreserved Unappropriated Fund Balance target shall be achieved by adding a designated amount to the budget to cover the deficiency over a period not to exceed five (5) fiscal years.

(6) Utilization of Minimum Reserves

Appropriation from Fund Balance shall require the approval of the Borough Council and shall be only for utilization as anticipated revenue in the Current Fund budget and from Capital Funds for funding capital ordinances.

(7) Replenishment of Minimum Reserve Deficits

If it is anticipated at the completion of any fiscal year that the projected or estimated amount of Unreserved Unappropriated Fund Balance, will be less than the minimum requirement, then the Borough Administrator shall prepare and submit in conjunction with the proposed budget a plan for the expenditure or expense reductions and/or revenue increases necessary to restore the minimum requirements in the subsequent budget year or other appropriate period as required in Section 52.5.

(8) Utilization of Surplus Reserves

In the event that the Unreserved Unappropriated Fund Balance exceeds the minimum requirements, the excess may be utilized in the subsequent year's budget.

(9) Annual Review

Compliance with the provisions of this policy shall be reviewed as part of the annual budget adoption process.

This ordinance shall take effect on its final passage and publication according as provided by law.

MARYANN SOLINSKI
Borough Clerk

GARY ENGELSTAD
Mayor

Introduced: February 25, 2014

Final Reading and Adoption: March 11, 2014

Introduction Publication: _____

Final Publication: _____